

STEPHEN J. ZAYLER
ATTORNEY AT LAW
CHAPTER 7 TRUSTEE EASTERN DISTRICT OF TEXAS
123 E. LUFKIN AVENUE
P.O. BOX 150743
LUFKIN, TEXAS 75915-0743

FIRM SITE: www.zayler.com
TRUSTEE SITE: www.bankruptcylink.com
LOGIN: sjzch7

EMAIL: zayler@cox-internet.com
PHONE: 936-634-1020
FAX: 936-634-1050

November 15, 2004

Mr. Timothy W. O'Neal
Assistant U.S. Trustee
300 Plaza Tower
110 N. College
Tyler, TX 75702

RE: Case No. 02-13427; Marilyn Warner McKenzie, Debtor

Dear Tim:

I am in receipt of your e-mail correspondence dated November 10, 2004, regarding the above referenced bankruptcy proceeding.

This case began with the question of the Debtor claiming homestead exemptions on a long-term piece of rental property. The property had been rented for the previous twelve (12) years, and had been rented to the same tenants for the last ten (10) of those twelve (12) years. The Debtor indicated at the 341a First Meeting of Creditors that she intended to return to the property once the renters had paid the balance of her note, which would have been another fifteen (15) years. Despite this obvious "investment property" scenario, the Debtor and her attorney continued to argue homestead and "intent to return".

A substantial amount of time was spent between the 341a First Meeting of Creditors date (December 9, 2002) and the date of the Court Order Sustaining Trustee's Objection to Property Claimed as Exempt (May 21, 2003).

On August 18, 2003, I filed my Motion to Employ a real estate agent to market the home. We originally believed the property would sell for approximately \$65,000.00. Unfortunately, there were undisclosed problems with the property that lowered the marketable value of the home. The long-term renters expressed an interest in the purchase of this home and made an offer. The offer was substantially lower than our anticipated value of the home. However, we were finally able to agree to a \$53,000.00 sales price.

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During the course of this time, I collected monthly payments from the renters. The Debtor failed and refused to provide the necessary information for transmittal of the payments on the note. Numerous calls were made to Wells Fargo to ascertain the address to which payments were to be remitted. No one at Wells Fargo seemed to know about this property, the note, or where the payments were to be made.

The next contact we had with Wells Fargo was the receipt of their Motion for Relief from Stay, filed November 14, 2003.

I filed my Objection to the Motion for Relief from Stay, and a hearing was set for December 9, 2003. At the time the hearing was set, we had a pending sale on the home. It was my belief we would close on the sale of the property prior to the December 9, 2003 setting.

I filed my Motion to Sell on November 25, 2003, and the renters were ready to close on the home subject to assisted funding by the city. Conditions were placed on the funding so that the closing date was to occur within a specific time frame. All matters were in place for the closing, and the matter was turned over to the title company for closing. Unfortunately, the title company refused to adhere to the terms and conditions of the sale under the terms of the Bankruptcy Order authorizing the sale. An inordinate amount of time was spent by me and my staff attempting to educate the title company on bankruptcy procedure. Despite continued assurances and subsequent denials by the title company, the date of closing passed without a consummated sale.

Due to the continued delay by the title company, the Buyers lost the funding available to them at that time. During the course of this "tug-of-war" with the title company, the hearing date on the Motion for Relief from Stay came and went. We were able to negotiate an Agreed Order on the Motion to Lift Stay, again conditioned on the closing date of the sale. The Buyers were still very much interested in purchasing the home they had lived in for ten (10) years. They were able to re-negotiate funding, and a closing date was again set.

The title company we had been dealing with continued to argue as to the disbursement of funds from the sales proceeds and refused to turn over the gross proceeds of the sale to the Trustee for handling. In an effort to prevent further delays, I filed all Motions to Pay in this matter, which included taxes, real estate agent fees, etc. Copies were sent to the title company, at their request. Continued efforts to close this sale were made with the title company, but despite all the efforts of this office, the title company was still reluctant and/or unwilling to close the sale.

The February, 2004 closing date passed without an actual closing. A second hearing on the Motion for Relief from Stay was set for February 24, 2004. The Buyers were frantic, and it appeared the only asset of this Bankruptcy Estate would be lost due to a foreclosure due to the delays of the title company.

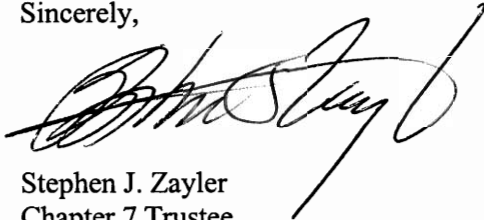
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The real estate agent handling this property was able to contact a second title company in the area and explanations of the situation were made, along with copies of all Bankruptcy Court Orders provided. It appeared we were finally going to be able to close this sale. A few more rough spots were hit, but the sale ultimately closed on or about March 24, 2004.

The total time spent in trying to close what would normally be a "routine" sale of assets ended up taking approximately fifteen (15) months from the date of the 341a First Meeting of Creditors.

I hope this information is helpful to you in answering some of your questions concerning this case. If you have further questions or comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen J. Zayler", written over a horizontal line.

Stephen J. Zayler
Chapter 7 Trustee

SJZ:mlb